

Payment of interest only on construction loan securities shall be made in monthly installments commencing with the 15th day of the month next following the date of issue.

Payment of interest on permanent loan securities shall be made in monthly installments commencing with the 15th day of the month next following the date of issue.

Payment of principal on permanent loan securities shall commence in relation to the commencement of amortization of the underlying mortgage in conformity with the First Principal Payment due date indicated on the front page of this prospectus.

Following the commencement of payment of principal, all installments shall be applied first to interest and then in reduction of principal balance then outstanding. Interest shall be paid at the specified rate on the unpaid portion of the principal. The amount of principal due on the securities shall be in an amount equal to the scheduled principal amortization currently due on the pooled mortgage. However, payment of principal and interest shall be adjustable as set forth below.

Each of the monthly installments shall be subject to adjustment by reason of any prepayments or other early or unscheduled recoveries of principal on the pooled mortgage. In any event, the Issuer will pay to the holders monthly installments of not less than the interest due on the securities at the rate specified in the security, together with any scheduled installments of principal whether or not collected from the mortgagor and any prepayments or early recovery of principal. Final payment shall be made upon surrender of the outstanding security. The construction loan securities shall be surrendered to the Issuer on maturity and shall be redeemed by the issuance to the holder of permanent loan securities having an equal face amount.

The Issuer is required to advise GNMA in advance of any impending default on scheduled payments so that GNMA as guarantor will be able to continue such payments as scheduled on the 15th day of each month. However, if such payments are not received as scheduled, investors have recourse directly to GNMA.

Reports to Security Holders

The Issuer will submit to each registered security holder each month, monthly statements (Form HUD-11714) of principal and interest payable currently on the security and its outstanding principal balance after crediting the current principal payment. The accounts and records of the Issuer relating to the pooled mortgage shall be maintained in accordance with normal accounting practices and in a manner that will permit the representatives of GNMA and the security holder to examine and audit such accounts and records at any reasonable time.

Denominations and Transferability of Securities

The securities will be freely and fully transferable and assignable, but only upon the books of the Issuer, as to the Issuer and GNMA. The minimum and maximum amount of the Security which may be initially purchased will be as stated on the front of this Prospectus; thereafter, the face amount of each security cannot be less than \$25,000 and must be in multiples of \$1.00. Reissues and denominational exchanges shall be made on request upon payment of any applicable taxes, fees, charges or other costs approved by GNMA and presentation of the security, at the office of GNMA, or its agent, unless lost or destroyed in which case, on presentation of reasonable and customary security or indemnity protection.

Servicing of Mortgage Pool

Under contractual arrangements between the Issuer and GNMA, the Issuer is responsible for servicing and otherwise administering the mortgage which constitutes the Pool in accordance with generally accepted practices of the mortgage banking industry.

The monthly remuneration of the Issuer, for its servicing and administrative functions, will be based on the unpaid principal amount of the mortgage in the pool. The Issuer shall pay to GNMA its guaranty fee. These fees will not reduce the payments to the holder.

Liability of Issuer

The securities will not constitute a liability of nor evidence any recourse against the Issuer. They are based on and backed by the aggregate debt of the mortgage insured or guaranteed under the laws of the United States and recourse may be had to the Government National Mortgage Association as provided for in the guaranty.

Custodial Agent

The documents pertaining to the mortgage included in the pool backing this issuance of securities will be held in custody by a custodian acceptable to GNMA.

Termination of Pool Arrangement

The pool arrangement may be terminated at any time prior to the final maturity date of the outstanding securities, provided that the Issuer and all holders of the outstanding securities relating to a single pool have entered into a mutually agreeable arrangement for such termination. Upon formal notification with satisfactory evidence that all parties to the termination agreement have concurred, and return of the securities to GNMA for cancellation, the guaranty will be terminated.

Federal Income Tax Aspects

The Federal Income Tax aspects of mortgage-backed securities are described in Revenue Rulings 70-544 and 70-545 published in Technical Information Release (TIR)1045, dated October 1, 1970, and in Internal Revenue Bulletin 1970-43, dated October 26, 1970, which among other things, states that interest on the securities is subject to Federal income taxation, and indicates that the favorable tax status of certain institutions, including that resulting from investing a percentage of their assets in mortgages, is not adversely affected by investment of those assets in GNMA pass-through securities.

Yield

As a result of the variants introduced by the timing, amount, and price of construction loan securities no standard and uniform table of yields applicable to the period prior to the commencement of amortization of principal on permanent loan securities is given.

The following consideration should be considered in arriving at a yield figure on securities following the commencement of amortization on permanent loan securities.

1. The first payment of principal and thirty days' interest is received 45 days after the issue date of the security.
2. Unscheduled prepayments of principal may be made to the security holder from time to time by virtue of voluntary prepayment or if foreclosure occurs. However, in the event of voluntary prepayment, prepayment premiums will be required in accordance with the provision herein before set forth.

Government National Mortgage Association

The Government National Mortgage Association ("GNMA") is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development with its principal office at 451 Seventh Street, S.W., Washington, D.C. 20410. It had its origin in the creation of the National Mortgage Association of Washington in 1938. Shortly thereafter, the name of the National Mortgage Association of Washington was changed to Federal National Mortgage Association (the "Pre-1968 Corporation"), a wholly-owned government corporation whose business consisted of the purchase and sale of mortgages insured under the National Housing Act and, after 1948, mortgages guaranteed by the Department of Veterans Affairs.

Pursuant to 1954 legislation, the Pre-1968 Corporation was authorized (1) to conduct Secondary Market Operations (now the business of the present-day Federal National Mortgage Association), (2) to perform Special Assistance Functions in the purchase of mortgages as authorized by the President of the United States or by the Congress to assist in financing home mortgages in instances where established home financing facilities are inadequate (the "Special Assistance Functions") and (3) to acquire or take over and to manage and liquidate certain other mortgages (the "Management and Liquidating Functions").

Effective September 1, 1968, the Pre-1968 Corporation was partitioned into two corporations, the present-day Federal National Mortgage Association and GNMA, which retained all of the assets and liabilities theretofore acquired and incurred by the Pre-1968 Corporation under its Special Assistance Functions and Management and Liquidating Functions.

GNMA Guaranty—Full Faith and Credit

GNMA is authorized by Section 306(g) of Title III of the National Housing Act to guarantee the timely payment of the principal of, and interest on, securities which are based on and backed by a pool composed of mortgages insured by the Federal Housing Administration under the National Housing Act, as amended, or Title V of the Housing Act of 1949 or guaranteed by the Department of Veterans Affairs under the Servicemen's Readjustment Act of 1944, as amended, or Chapter 37 of Title 38, United States Code. Section 306(g) provides further that "The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection." An opinion, dated December 9, 1969, of William H. Rehnquist, Assistant Attorney General of the United States, states that such guaranties under Section 306(g) of mortgage-backed securities of the type offered hereby are authorized to be made by GNMA and "would constitute general obligations of the United States backed by its full faith and credit."

Pursuant to such authority, GNMA upon delivery of the securities to the Issuer will have guaranteed the timely payment of the principal of and interest on these securities.

GNMA Borrowing Authority—United States Treasury

GNMA, in its corporate capacity under Section 306(d) of Title III of the National Housing Act, may issue to the United States Treasury its general obligations in an amount outstanding at any one time sufficient to enable GNMA, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the Securities offered hereby. The Treasury is authorized to purchase any obligations so issued.

The Treasury Department has indicated that it will make loans to GNMA, if needed, to implement the aforementioned guaranty as stated in the following letter:

**The Secretary of the Treasury
Washington**

February 13, 1970

Dear Mr. Secretary:

I wish to refer to your letter of November 14, 1969, asking whether the timely payment of principal and interest on mortgage-backed securities of the pass-through type guaranteed by the Government National Mortgage Association under Section 306(g) of the National Housing Act, under its management and liquidating functions, is a function for which the Association may properly borrow from the Treasury.

It is the opinion of the Treasury Department that the Association may properly borrow from the Treasury for the purpose of assuring the timely payment of principal and interest on guaranteed pass-through type mortgage-backed securities as described in Chapter 3, paragraph 6 of the Mortgage-Backed Securities Guide, dated December 1969. Accordingly, the Treasury will make loans to the association for the foregoing purposes under the procedure provided in Subsection (d) of Section 306 of Title III of the National Housing Act.

Sincerely,
David M. Kennedy

**The Honorable George Romney
Secretary of Housing and Urban Development
Washington, D.C. 20410**

GNMA warrants to the holders of the Securities, that in the event it is called upon at any time to make good its guaranty of the payment of principal and interest on the securities, it will, if necessary, in accordance with such Section 306(d), apply to the Treasury Department of the United States for a loan or loans in amounts sufficient to make payments of principal and interest.

Payments of Principal and Interest

The construction loan securities shall provide for payment of **interest only** until maturity at a rate equal to the interest rate on the underlying mortgage less the guaranty and servicing fees computed in accordance with the GNMA Mortgage-Backed Securities Guide. Accrued interest for 30 days shall be payable to the holders of the securities commencing on the 15th day of the month next following the issue date and shall be due continuously on the 15th day of each successive month. The construction loan securities will mature upon issuance of the securities based on and backed by the permanent loan, i.e., after the final endorsement of the mortgage and after the Issuer has complied with all of the requirements of the said Guide for issuance of such permanent loan securities. The construction loan security maturity date was estimated by allowing at least 200% of the FHA anticipated construction time. Upon approval by GNMA, in instances of mortgage default or other unusual circumstances preventing the finally endorsed mortgage from becoming eligible for mortgage-backed security pooling, retirement shall be by payment of cash.

Prospectus GNMA I

U.S. Department of Housing
and Urban Development
Government National Mortgage Association

OMB Approval No. 2503-0018 (Exp. 10/31/99)

Construction and Permanent Loan Securities

Public reporting burden for this collection of information is estimated to average 0.25 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2503-0018), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

Do not send this form to the above address.

The information is required by Sec. 306(g) of the National Housing Act or by GNMA Handbooks 5500.1 and .2.

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_____% **GNMA I Mortgage-Backed Securities**

(Construction and Permanent Loan Securities)

**Fully Guaranteed as to Principal and Interest By
Government National Mortgage Association**

(Backed by the Full Faith and Credit of the United States)

Issued by:

GNMA Pool No.: _____ (CL)	Issue Date: _____
Custodian: _____	First Payment Due: _____
Minimum Certificate Amount: _____	Maturity Date: _____

Securities of the above captioned construction loan pool will be redeemed for securities of the permanent loan pool described below pursuant to the terms of this prospectus.

GNMA Pool No.: _____ (PL)	Issue Date: _____
Custodian: _____	Minimum Certificate Amount: _____ Maturity Date: _____
First Interest Payment: The 15th day of the month next following the month of issue.	First Principal Payment Due: The 15th day of the month next following the month of issue or _____, whichever date is later.

This Prospectus has been reviewed by the Government National Mortgage Association which, however, assumes no responsibility for the accuracy of information or claims included herein.

The securities to be issued under this Prospectus provide for timely payment to the registered holder of interest at the specified rate plus scheduled installments of principal. The construction loan securities shall provide for payment of *interest only* until maturity. The construction loan securities will mature upon issuance of the securities based on and backed by the permanent loan, i.e., after the final endorsement of the mortgage.

Timely payment of principal of and interest on the Securities is guaranteed by GNMA pursuant to Section 306(g) of Title III of the National Housing Act. Section 306(g) provides that "The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection" and an opinion dated December 9, 1969, of an Assistant Attorney General of the United States states that such guarantees under Section 306(g) of mortgage-backed securities of the type offered hereby "constitute general obligations of the United States backed by its full faith and credit."

The securities have not been registered under the Securities Act of 1933 since they are exempt from registration.

Description of Pooled Loan

Insured Under FHA Section: _____	Location: _____
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Prepayment Penalty: The following prepayment penalty, if collected in conformity with the terms of mortgage, will be passed through to holders of securities as an additional payment in excess of requirements for reduction of the principal balance.

Increases: At any time prior to final endorsement by the Federal Housing Administration (FHA), the original principal amount of the mortgage is subject to reasonable increase because of rise in construction costs or other reason acceptable to the Issuer, FHA, and GNMA. In such an event, the Issuer may sell additional securities under this Prospectus in the amount of the increase. Such additional securities shall have equal priority and benefit without preference or distinction among securities.